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The median age of a first-time home buyer is 38 years old. That's bad for America.



POLITICS & IDEAS

Trump Can't Ignore Our Housing Crisis

When the leader of a prominent MAGA group urges President Trump and the GOP to do something about housing, you know there's a problem. Turning Point's Charlie Kirk recently told the Washington Post that the administration must "improve the material conditions of the younger voters" by building 10 million homes—a "Marshall Plan-type thing."

Mr. Kirk is highlighting a genuine concern. The median price for an existing singlefamily home in 2024 was a record \$412,500. The growth in home prices has significantly outpaced household income growth, increasing the price-to-income ratio to approximately 5.0 in 2024, compared with around 4.1 in 2019 before the pandemic and an average of 3.2 in the 1990s.

Rising interest rates have made a bad situation worse. Average monthly mortgage payments on median-priced houses have surged from \$1,445 in 2021 to \$2,570 in 2024, and rising home-insurance premiums pushed up the total monthly costs of homeownership to \$3,270.

The bottom line: The annual income required to qualify for a mortgage on the median house has risen by more than 60% since 2021, pricing more than half of potential first-time home buyers out of the market. No wonder the median age of first-time home buyers reached a record-high 38 years last year, or that the homeownership rate for households whose heads are 44 and younger has declined. Many couples with young children are stuck in apartments they have outgrown, and they aren't happy about it.

Government policies aren't helping. Mr. Trump's tariffs will add significantly to building costs, and his immigration crackdown will reduce the supply of workers in a sector already plagued by labor shortages.

If the U.S. were to give housing availability and affordability the priority it deserves, what would happen?

Congress and the president would agree on a sustained program of fiscal restraint, as they did during the 1990s, putting downward pressure on long-term interest rates. When Bill Clinton took office, the interest rate on 30-year Treasury bonds stood at 7.3%. By the time he left office, this rate had fallen by nearly 2 percentage points. When long-term Treasury rates fall, the rates on 15- and 30-year mortgages tend to move down as well.

Next, the administration would make a priority of lowering building costs. Mr. Trump would rethink tariffs on raw materials such as lumber and steel. Builders would move an increasing share of their production to modular housing, which is faster and cheaper than traditional on-site building techniques. Governments would work together to eliminate regulations that slow the permitting process and drive up production costs.

America would also change its immigration policy to ensure the adequate supply of labor for the construction industry. According to a recent report from the Urban Institute, undocumented immigrants are estimated to have been more than 10% of the industry's workforce in 2023, and their share is much higher in rapidly growing states such as Texas and Florida. In 2024, home builders reported a shortage of nearly 250,000 construction workers—a figure that is expected to grow significantly this year and beyond.

This isn't a reason to tolerate illegal border crossings, but it is a reason to enact legislation establishing carefully monitored guestworker programs for housing, along with other sectors such as agriculture and hospitality. These fields will suffer if such programs aren't created to counterbalance mass deportations.

The median size of new homes increased significantly from around 1,500 square feet in the 1960s to more than 2,200 square feet in the early 2020s. Most young families can't afford these larger homes, but smaller homes have been declining as a share of total production. With reasonable input costs and an adequate labor supply, home builders could orient more of their production toward first-time home buyers, as they did so successfully after World War II.

According to the Federal Reserve, accumulating enough for a down payment has become the most important obstacle for households that want to move from renting apartments to homeownership. Last year a buyer needed \$26,800 to cover closing costs plus a 3.5% down payment on the medianpriced home—a figure that rose to \$95,000 for a 20% down payment. It should be possible to create financial structures that cover a greater portion of these upfront costs while ensuring sufficient security for lenders.

We can debate the details, but one thing is clear: If we fail to act on housing, millions of young Americans will lose their best chance to build wealth. Their families and communities will be worse off, and so will the country.

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